

# FDIC State Profile

Fall 2004

## Ohio

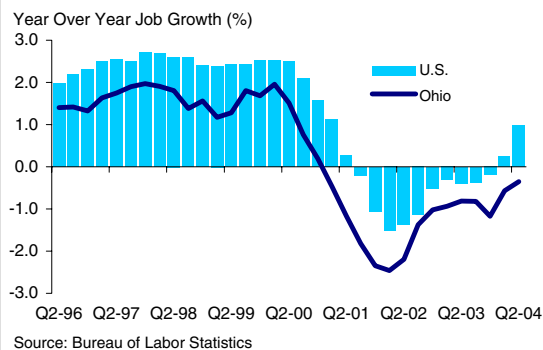
### Ohio's economy continues to stabilize.

- Ohio's pace of nonfarm job loss continued to ease in the second quarter 2004, compared with one year ago (See Chart 1). The educational and health services sector remained a major source of job growth.
- Robust manufacturing orders and shipments nationwide have yet to translate into job creation, as manufacturing jobs continued to contract. Ohio lost 2.6 percent of its manufacturing jobs in the second quarter compared with one year earlier.
- Declines in both the number of unemployed and in the labor force caused Ohio's unemployment rate to fall to 5.7 percent, in-line with national levels and down from 6.2 percent in the second quarter 2003. Unemployment rates improved across many Ohio counties (See Map 1).
- The growth rate of personal bankruptcies eased considerably in the first half of 2004 reflecting stabilizing consumer credit trends brought about by stabilizing employment trends.
- Residential building activity declined as single-family housing permits fell 0.9 percent year-over-year in the second quarter 2004. The growth rate for home resales slowed, but the number sold remains at high levels. Home price appreciation hovered just under 4 percent.

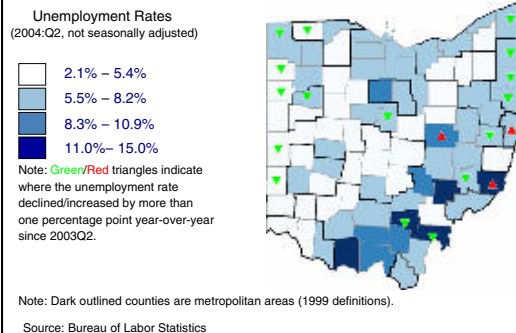
### Commercial real estate (CRE) markets remain weak.

- While office vacancy rates remained relatively high for the **Cleveland**, **Cincinnati** and **Columbus** metropolitan statistical areas (MSAs), vacancy rates edged down or remained flat (See Chart 2). In light of stabilizing employment trends, net absorption was positive in all downtown and suburban markets except the Columbus suburban office market.
- Despite weak fundamentals, the median past-due rate for CRE loans held by Columbus MSA institutions declined and remained low. However, the median CRE past-due rate for insured institutions headquartered in the Cleveland and Cincinnati MSAs increased to 1.99 and 1.16 percent, respectively, in the second quarter 2004.

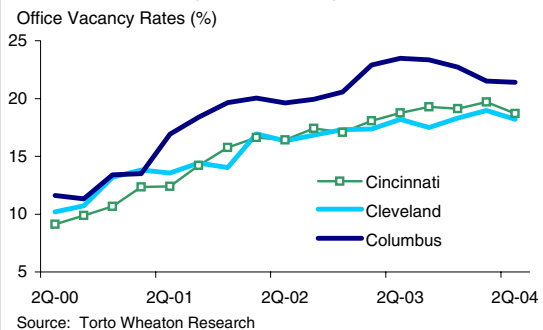
**Chart 1: Rate of Job Loss Continues to Ease**



**Map 1: Unemployment Rates Improved Across Many Ohio Counties**



**Chart 2: Office Vacancy Rates are Moderating Although Still at High Levels**



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While CRE loan exposure, as measured by CRE loans to tier 1 capital, for Cleveland MSA institutions is not high compared to national levels, Cleveland's CRE delinquency rate is ranked eighth among MSAs nationwide.

### Profitability varied at Ohio insured institutions.

- Profitability at Ohio community institutions<sup>1</sup> fell as declines in net interest income, noninterest income, and securities gains led to lower return on assets in the second quarter 2004 from one year ago (See Table 1).
- Noninterest income at community institutions fell largely due to lower gains on sales of loans and leases and other assets, excluding securities, perhaps reflecting slower mortgage loan activity as interest rates rose.
- Large institutions<sup>2</sup> reported higher profitability mainly from declines in provision expense and noninterest expense and an increase in noninterest income.

### Asset quality continues to improve.

- Credit quality trends continued to improve during the quarter. Net chargeoffs remained low and overall delinquencies trended down for the fifth consecutive quarter.
- Past-due rates declined for all loan categories at community institutions except home equity loans (See Chart 3). Delinquencies for this relatively small segment of total loans increased to 1.11 percent, up 52 basis points from a year ago, but down 7 basis points on a linked quarter basis.
- Ohio's community institutions realized year-over-year growth in all major loan categories, except for consumer, credit card, and small business loans. The largest loan increases came from CRE, home equity and construction and development loans, which grew by 12, 15, and 17 percent, respectively, in the second quarter from a year ago.
- Growth in loans to small businesses has been flat over the past year at negative 0.02% and below growth for the U.S. as a whole.<sup>3</sup>

### Rising interest rates could pose significant challenges for Ohio's community institutions.

- Rising interest rates resulted in lower gains on securities and securities portfolio depreciation at Ohio community commercial banks (See Chart 4). Mortgage-backed

securities holders may face extension risk when prepayments fall from rising rates as the expected life of the investment increases.

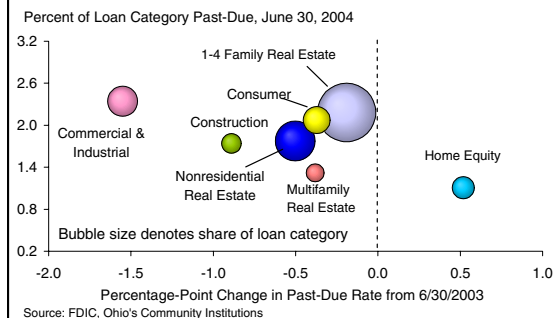
- Given the trend of higher long-term concentration of assets in Ohio and the prospect of higher rates, insured institutions that moved toward longer-term assets and shorter-term funding sources may face additional margin compression, asset depreciation, and extension in asset duration in a rising rate environment.

**Table 1: Earnings Performance Drops at Ohio Community Banks and Thrifts**

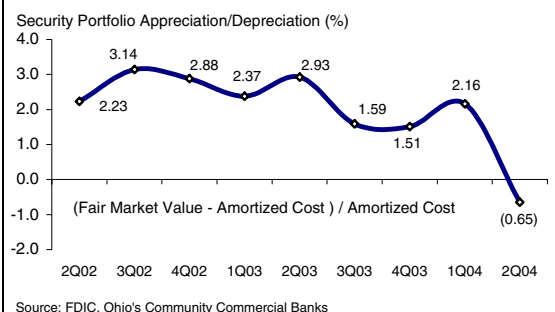
Income statement contribution (as a percentage of average assets)			
	3 months ended June 30		Percentage Point Change
	2003	2004	
Net Interest Income	3.50	3.44	-0.06
Noninterest Income	0.80	0.63	-0.17
Noninterest Expense	-2.70	-2.64	0.06
Provision Expense	-0.22	-0.19	0.03
Security Gains & Losses	0.31	0.13	-0.18
Income Taxes	-0.48	-0.39	0.09
Net Income (ROA)	1.22	0.98	-0.24

Source: FDIC

**Chart 3: Past-Due Rates Continue to Improve Across Most Loan Categories**



**Chart 4: Rising Interest Rates Result in Securities Portfolio Depreciation**



<sup>1</sup>Community institutions are insured institutions with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks.

<sup>2</sup>Large institutions are insured institutions with more than \$1 billion in assets, excluding new (less than three years old) and specialty banks.

<sup>3</sup>Small business loans as reported each June in Schedule RC-C Part II. Loans to Small Businesses.

## Ohio at a Glance

<b>General Information</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Institutions (#)	301	310	319	331	348
Total Assets (in thousands)	654,423,702	645,846,114	564,822,710	448,478,865	401,264,025
New Institutions (# < 3 years)	4	5	13	18	15
New Institutions (# < 9 years)	24	25	27	25	22
<b>Capital</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Tier 1 Leverage (median)	9.52	9.32	9.44	9.42	9.41
<b>Asset Quality</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Past-Due and Nonaccrual (median %)	1.78%	2.09%	2.02%	2.14%	1.62%
Past-Due and Nonaccrual >= 5%	24	33	29	21	28
ALLL/Total Loans (median %)	1.02%	1.04%	1.02%	0.96%	0.96%
ALLL/Noncurrent Loans (median multiple)	1.29	1.14	1.23	1.21	1.44
Net Loan Losses/Loans (aggregate)	0.66%	0.88%	0.95%	0.65%	0.44%
<b>Earnings</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Unprofitable Institutions (#)	19	15	24	20	18
Percent Unprofitable	6.31%	4.84%	7.52%	6.04%	5.17%
Return on Assets (median %)	0.90	0.98	0.96	0.88	1.02
25th Percentile	0.54	0.66	0.59	0.55	0.69
Net Interest Margin (median %)	3.76%	3.82%	3.88%	3.80%	4.06%
Yield on Earning Assets (median)	5.44%	5.94%	6.81%	7.93%	7.94%
Cost of Funding Earning Assets (median)	1.73%	2.18%	2.93%	4.23%	4.05%
Provisions to Avg. Assets (median)	0.10%	0.12%	0.12%	0.11%	0.09%
Noninterest Income to Avg. Assets (median)	0.48%	0.55%	0.48%	0.48%	0.42%
Overhead to Avg. Assets (median)	2.70%	2.72%	2.67%	2.62%	2.64%
<b>Liquidity/Sensitivity</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Loans to Deposits (median %)	86.96%	81.39%	84.36%	86.29%	89.39%
Loans to Assets (median %)	69.80%	67.69%	69.95%	72.22%	72.93%
Brokered Deposits (# of Institutions)	67	60	58	68	70
Bro. Deps./Assets (median for above inst.)	4.06%	4.18%	5.04%	4.24%	3.51%
Noncore Funding to Assets (median)	18.43%	16.61%	16.47%	16.92%	16.74%
Core Funding to Assets (median)	67.75%	69.93%	71.41%	70.43%	70.87%
<b>Bank Class</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
State Nonmember	66	68	71	70	73
National	83	86	87	88	93
State Member	39	41	42	47	52
S&L	56	59	63	68	74
Savings Bank	30	30	31	32	29
Stock and Mutual SB	27	26	25	26	27
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
Cincinnati OH-KY-IN PMSA	43	279,406,479	14.29%	42.70%	
Cleveland-Lorain-Elyria OH PMSA	29	201,761,297	9.63%	30.83%	
Columbus OH	29	102,680,590	9.63%	15.69%	
Dayton-Springfield OH	12	2,204,995	3.99%	0.34%	
Mansfield OH	10	2,150,153	3.32%	0.33%	
Youngstown-Warren OH	10	19,495,843	3.32%	2.98%	
Akron OH	8	11,123,100	2.66%	1.70%	
Parkersburg-Marietta WV-OH	7	2,063,430	2.33%	0.32%	
Toledo OH	6	1,243,356	1.99%	0.19%	
Lima OH	5	957,566	1.66%	0.15%	
Hamilton-Middletown OH PMSA	4	2,760,793	1.33%	0.42%	
All Other MSAs	11	3,802,640	3.65%	0.58%	
No MSA	127	24,773,460	42.19%	3.79%	